



GIVING IS GREAT

A handbook to help philanthropists make better decisions when supporting charities and social enterprises

EQ investors

When I first started taking a closer interest in supporting charities, I assumed that it would be pretty similar to finding good investments. By carrying out research I would soon be able to identify those doing the best job. How wrong I was!

Whereas companies need to attract more customers in order to grow, charities just need to get better at raising money. There is often no link between the success of their work and the amount of money raised.

However, this is beginning to change. The emerging discipline of Impact Measurement is slowly providing the tools and data to allow donors and charity managers to understand better what works best.

Selecting good charities is one of the toughest tasks that I've encountered. But if that sounds rather negative, don't be put off. Helping others is THE most rewarding activity available to us and I recommend it heartily.

I hope that you find this guide helpful and that your giving provides you with as much pleasure as mine.

I'd like to acknowledge the valuable insights I have gained from reading the books written by Caroline Fiennes & William Mackaskill listed in the appendix as well as words of wisdom from David Bull, Alex Day (Big Give) and many others.

John Spiers

Chief Executive, EQ Investors



Contents

1. Decide what you really want to achieve.....	4
2. Essential principles.....	6
3. Maximising your impact.....	7
4. Some common misconceptions.....	8
5. Early intervention beats treating symptoms	11
6. Deciding who to support.....	12
7. Measuring impact.....	14
8. Reporting on impact.....	15
9. What is a Theory of Change?.....	16
10. How to donate	18
11. Making life easier for charities	20
12. Investing rather than donating.....	22
13. Make full use of tax incentives.....	24
Appendix – Useful Resources.....	26

1 Decide what you really want to achieve

Each of us has a unique life view of what seems important. Here are some common feelings that may be driving your philanthropic ambitions together with some ideas of how to achieve them:

I'm new to philanthropy, don't have strong views and want to ease my way in as I gain more experience.

-  Take it slowly, meet as many other donors as possible via organisations like The Funding Network.
-  Read up on how impact should be measured (Sections 7 & 9) plus other sources listed in the Appendix.
-  Try to ensure your decisions are based on objective analysis as well as emotional reaction.

I want to achieve the maximum impact with my donations.

-  Focus most of your funding at the developing world, looking carefully at indicators of impact achieved.
-  Look at specific ideas from givewell.org and givingwhatyoucan.org
-  Resist high profile disaster relief campaigns unless they are struggling to raise funds.

I'd prefer to focus my donations on causes close to home so that I can take a look at what they do and feel a local connection.

-  You can do some searching using CAF (cafonline.org/system/charity-search-results)
-  Ask for impact measurement reports that show what they achieve, not what they do.
-  Try to compare their impact with other organisations in the same sector.

I already have some special causes in mind which are important to me.

-  It's still worth doing some research to identify the most effective organisations within that sector.
-  Build up a shortlist by searching on givingisgreat.org.uk
-  Then follow the guidance in Section 4 to identify the most effective organisations.

I'd like to get actively involved locally as a volunteer.

 As above but look for organisations that can use any special skills that you have. The Appendix has a list of websites that help match volunteers to causes. If that's not applicable then consider charity shops or organisations providing comfort to others such as those looking after lonely people.

 Be conscious that an organisation is doing you a favour to take you on as a volunteer, not the other way round.

 If you have business skills look for ways in which charities might be able to generate income through social enterprises.

I want my giving to be clearly recognised.

 Look for organisations that can offer naming rights (e.g. on facilities) or publish lists of major donors or run high profile donor events.

I'd like to get actively involved as a trustee.

 First get acquainted with the responsibilities of a trustee:

[gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3](https://www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3)

 Then find out what the main issues are - you might be stepping into a wasps' nest!

I'd prefer to commit money in a way that provides me with the potential for a financial return rather than as just a donation.

 Consider investing in social enterprises, being mindful that the risk of capital loss is very high.

 Spread your risk and be prepared to take a very long term view (probably 10 years).

 Unless you have investment analysis skills, use a dedicated specialist fund manager.

2 Essential principles

It's very easy to allow rational judgement to be confused by emotions when deciding who to support. There's nothing wrong with listening to your heart but do carry out a sense check before making a commitment.

Whether you're being targeted in the street or by post, by a friend seeking sponsorship, or just want to select good causes yourself, there are three questions that you should always ask:



1 Does the programme that this charity offers actually work?

You'd be dismayed to know that most charities actually don't know the answer and some do more harm than good. See Section 5 for more on how to measure impact.

2 Is this organisation well run?

The world is full of great ideas; executing them well is where most fall down. See Section 4 for more on how to evaluate an organisation. If you love the cause but can see gaps in the team, consider how these could be filled.

3 Is there a plan to develop a reliable source of funding in the future?

If not, the organisation will always be reliant on charitable donations. Be willing to support the development of sustainable income generating activities.

3 Maximising your impact

If you want your donations to achieve maximum impact then be aware that:

1 A pound in the developing world usually buys much more impact than in the UK.

For example in Africa:

- Less than 50p provides a deworming treatment that will materially improve a child's quality of life
- Less than £50 restores sight to a blind person
- Less than £4,000 saves a life and improves the life prospects of many others by providing mosquito nets.

2 Money works harder in sectors that don't tug everyone's heart strings.

Examples include mental health and helping reoffenders. In contrast almost everyone feels sympathy for pets and children in need, so charities in those sectors find it easier to raise funds and are already able to carry out their most effective programmes.

3 High profile disaster appeals can represent poor value compared with everyday programmes.

In the grand scale of human deprivation disasters are relatively unimportant; on average, more than 15,000 children aged under 5 die every day (source: WHO). Most of those deaths are preventable and there are a host of interventions available with proven results that just need additional funding.

If you are keen to support disaster appeals, check fts.unocha.org to see which are in most need of funding.

4 Prevention/early intervention programmes are effective, overwhelmingly good value for money and chronically underfunded.

It is better to build a fence at the top of a cliff than provide an ambulance to deal with the people who fall off. See Section 5 for more.

4 Some common misconceptions

Worrying about overheads

We all want to support organisations that are run efficiently but a simple measure of admin costs as a proportion of total spending will not tell you anything useful. Effective programmes need an infrastructure capable of overseeing them and evaluating impact.

Many charities rely heavily on volunteers, which can help them to publish low cost ratios. However, this approach also has downsides: volunteers can be tricky to manage and make accountable; they often lack the essential skills needed to the job well.

A critical requirement for backing any charity is to have confidence in the quality of senior management and to see evidence of the effectiveness of the programmes. If you have that confidence, it is logical to trust management to maintain overheads at an appropriate level and not think that you know better.

It's better to support a charity that is effective than one that is cutting corners.



Worked example

Charity A spends 30% of its income on overheads, leaving 70% for programmes. Charity B only spends 10%, leaving 90%.

Charity A employs skilled staff and measures impact. Its programmes are 50% more effective than Charity B's.

Overall, Charity A achieves more:

	Charity A	Charity B
Spend	70%	90%
Impact	<u>150%</u>	<u>100%</u>
Overall	105%	90%

Small charities are more efficient

You might have an impression that large charities are bureaucratic and inefficient but they have a number of operational advantages that arise from scale, enabling them to spread overheads across a wider base. They should also be able to take advantage of better information technology, slicker marketing and better PR as well as being more resilient to adverse conditions. For some types of intervention (e.g. disaster relief, medical research) there is little alternative to the major names.

Small organisations, often led by a charismatic and enthusiastic founder, can certainly be more dynamic and committed. For them it's not a 9 to 5 job, it's a calling. But the downside is often a lack of structure and strategic vision plus an inability to scale up. A strong and independent board of trustees is needed to balance out these strengths and weaknesses.

You may be thinking that your donation will have more impact on a smaller organisation. However, this shouldn't be a major factor in your decision because the charity is just a conduit for your money to reach the beneficiaries. What you really need to focus on is how much good will your donation actually achieve?

So it's really the quality of the organisation, not its size, that should influence your selection.

It's better to support local causes

For most of us, it seems instinctively more tempting to donate towards a life saving intervention on a specific person in our locality than to provide a similar sum to save ten people on another continent. This is partly due to a genetic trait that makes us feel particularly protective about those close to us. Keeping the tribe intact used to be a priority for survival but is no longer relevant.

Unless you have a direct personal connection, try to override emotions pushing you to favour causes close to home.

Spreading donations reduces risk

If you are building an investment portfolio you will be advised to diversify widely to reduce specific risks. You might think that a similar approach is appropriate for charitable giving – but the risks are different.

Unlike an investment portfolio, you are not seeking any financial return and so that concept of risk is not appropriate – you are never going to see your money again. In this case the more you spread your donations beyond those organisations that are most effective, the more you risk reducing your overall impact.

There are two other arguments against spreading your donations too widely. There is a cost attached to communicating with each donor, so you can minimise costs for the charities by keeping your support focused. And you may be able to gain better access to an organisation if your donation is larger.

During the initial period of giving you may feel that your knowledge base is too narrow to select one or two causes with confidence. In this case it can make sense to spread donations across a few organisations in similar fields while you learn more.

Poor people need direction

History is strewn with tales of well-meaning but ill-informed Westerners who thought that they knew best when trying to fix problems in the developing world without knowing enough about local customs and knowledge.

One of the most extreme ways of utilising local experience is just giving money directly to poor people and letting them decide how to use it. That's what Give Directly does. It seems to work; perhaps surprisingly, people don't blow the money on short term stimulants, they invest in property and income generating assets such as cattle (see www.givedirectly.org).



5 Early intervention beats treating symptoms

Many charities devote their efforts to helping people who are struggling to hold down a stable position in society. But social issues like crime and addiction usually have their root causes much earlier in life. Wouldn't it be better to tackle the root cause of problems, rather than just treat the symptoms?

Research has shown that the first 1,000 days after conception are the most critical in terms of the way our brains develop. Those not fortunate enough to be in a stable and loving environment at that time can suffer permanent damage, and be much less able to become self-supporting adults. This is also true during the rest of childhood, but there is more scope for recovery if the initial period has been stable.

There is now a growing emphasis on trying to identify vulnerable children early enough to take remedial action to prevent them from becoming a drain on society. Any 'NEET' adult (not in employment, education or training) typically costs the UK taxpayer tens of thousands of pounds each year – and that's just the direct financial cost.

Although the case for intervening early is clear, governments have been reluctant to fund this type of activity because the timescale for seeing benefits often extends beyond the electoral cycle (the Scottish government has been notably more progressive in this respect).

Charities provide a vital role in making early intervention happen. Here are some good examples:



West London Zone identifies pupils in secondary schools who are having difficulties, which might be behavioural or psychological as well as academic underperformance. They then provide bespoke programmes tailored to suit the needs of each individual.



Place2Be operates in primary schools, identifying pupils showing symptoms of stress and then provides one-to-one counselling.



The Spear Program developed by Resurgo helps young adults who have had a troubled history acquire the skills to gain and retain employment.



St Giles Trust runs programmes that help to prevent teenagers (and younger) becoming members of gangs.

6 Deciding who to support



There are approximately 168,000 registered charities in the UK – almost half with annual income of less than £10,000 – plus thousands of other voluntary organisations and social enterprises.

On any basis that's far too many, which highlights one of the structural problems with charities: mergers happen rarely, so inefficient organisations can stay in existence if they have effective fundraising.

How can you decide which to support? Although most charities produce annual accounts, these rarely include impact reports, which makes the job of identifying the best causes daunting, to say the least. There are some US based websites with recommendations, such as [GiveWell](#) and [Giving What We Can](#) – see the Appendix for more.

Option 1: Seek advice

If you are planning on donating large sums then you can consider employing a philanthropy adviser. See the Appendix for some suggestions and be prepared to negotiate a fee.

Option 2: Piggyback on experts

If you don't have the time, expertise or enthusiasm to do your own research then you can take advantage of research carried out by professional grant making organisations that devote their efforts to analysing other causes so that they can allocate their endowments wisely.

Charities that have been able to gain support from multiple organisations are likely to have satisfied some demanding criteria.

Another approach is to look at recent winners of awards such as those granted by Third Sector, Charity Times, or the Centre for Social Justice.

At [givingisgreat.org.uk](#) there is a search facility that allows you to find charities that have been supported in recent years by major grant makers or won awards.

Option 3: Do your own research

The starting point for this will normally be the charity's website to look for:

- A clear description of the problem they are trying to solve
- How they go about it, is there a theory of change?
- Evidence of impact, is it independent?
- Strength & depth of management, how long have they been in the roles?
- Who else supports it, are they respected grantmakers?
- Has it won any awards?
- Can this solution be scaled?

Next you should check the entries on the Charities Commission website.

- Have filings been made within the specified time periods?
- Do the accounts indicate excessive or inadequate reserves? As a guideline work on 3-12 months expenditure as being reasonable. More than that might indicate that your donation won't make much difference to programmes; less than 3 months should set off warning bells that they could be vulnerable.

- Look at the trend of income and spending: is it rising, flat or declining? If rising fast check that their infrastructure is not getting stretched. If it's declining find out why.

Check that the Board appears to be well structured and complies with the Charities Governance Code. This is hard to check online and may need some direct questioning. Issues to consider include:

- Size: as a general guideline 3 is too small, 10 too large
- Longevity: has there been too much, or too little change? A good sign might be 1-2 new members each year
- Breadth of expertise: is it wide enough and relevant for the cause?
- Reputation: are some of the members public figures, proud of their track records?
- Commitment: how often do they meet? At least 4 times per annum is good.

If you are thinking of making a significant donation you should now consider contacting the charity to raise any specific questions that have arisen. If possible, go and see the programme in action and talk to beneficiaries.

7 Measuring impact

Most charities don't actually measure their effectiveness; at best they report on their outputs.

In practice

For example, a charity might tell you that they supply two additional teachers to a school in Africa. That sounds like a good project but perhaps it isn't. It might encourage a cash restrained government to reallocate some of the existing teachers they supply to other schools, or perhaps their more urgent need is better infrastructure.

The primary objective in this case is not to increase local employment but to improve the education of these children, so that's what really needs to be measured. This is called Impact Measurement.

For an example of a detailed cost-benefit analysis look at this one produced by GiveWell:

[givewell.org/how-we-work/our-criteria/cost-effectiveness/cost-effectiveness-models](https://www.givewell.org/how-we-work/our-criteria/cost-effectiveness/cost-effectiveness-models)

Impact measurement is a technique that has evolved rapidly over the last decade. However, it is still in a formative phase, only used by a small minority of charities. There are a number of reasons for this:

- In many sectors impact is hard to measure, in some it is impossible
- The relevant time period can often be years or even decades
- Other factors may have contributed to the impact
- There is a cost involved

Despite these issues, impact measurement is gradually becoming accepted as the most reliable basis for evaluating interventions.

In an ideal scenario you should be able to see a report produced by a respected independent organisation. Ideally this should include the results of a Randomised Control Trial (RCT) that will compare results of two cohorts of beneficiaries, one with and one without the intervention. However, these are still a rarity.

What you should be trying to identify are the *outcomes* from the programme, not the *outputs*.

8 Reporting on impact

A report highlighting the impact of your donations will help you when it comes to assessing the effectiveness of your giving.

Inevitably at first there will be some significant gaps in the data you can obtain but this should improve as organisations become better at measuring impact. Initially you are likely to find that some of your measures are based on Outputs, rather than Outcomes.

This type of report can help you understand much better the impact you are having and also to make comparisons between interventions. For example, would you prefer to save potentially one life by providing mosquito nets or restore sight to 80 blind people?

Example impact report:

Donated	Programme provider	Impact of donation
£20,000	The Access Project	41 students received tuition, 7/11 obtained places at top third universities
£20,000	Against Malaria Foundation	4,000 mosquito nets supplied 5 deaths averted
£20,000	Resurgo Spear programme	5 young people in Employment, Education or Training after 12 months
£20,000	Panathlon	402 children with disabilities attended sports days,
£20,000	Sight Savers	Sight restored to 400 people

9 What is a Theory of Change?

Theory of Change is a relatively new concept that helps to define how a programme or intervention will achieve the desired result. It involves a careful examination of each step in the process and of the evidence supporting its effectiveness. It can be a useful indicator of how well an organisation has considered the implications of its activities. The absence of one may indicate a lack of rigour in the organisation.

A Theory of Change usually starts by considering:

- the Outcomes that you are seeking and these should be quite specific
- the Outputs that will be needed to achieve this
- the Inputs required to make the outputs happen.

Let's assume that the main objective is to improve the life chances of children by ensuring they are better educated.

Following a consultation with all of the stakeholders (especially the locals) you would list all of the factors that could contribute to the objective, such as:

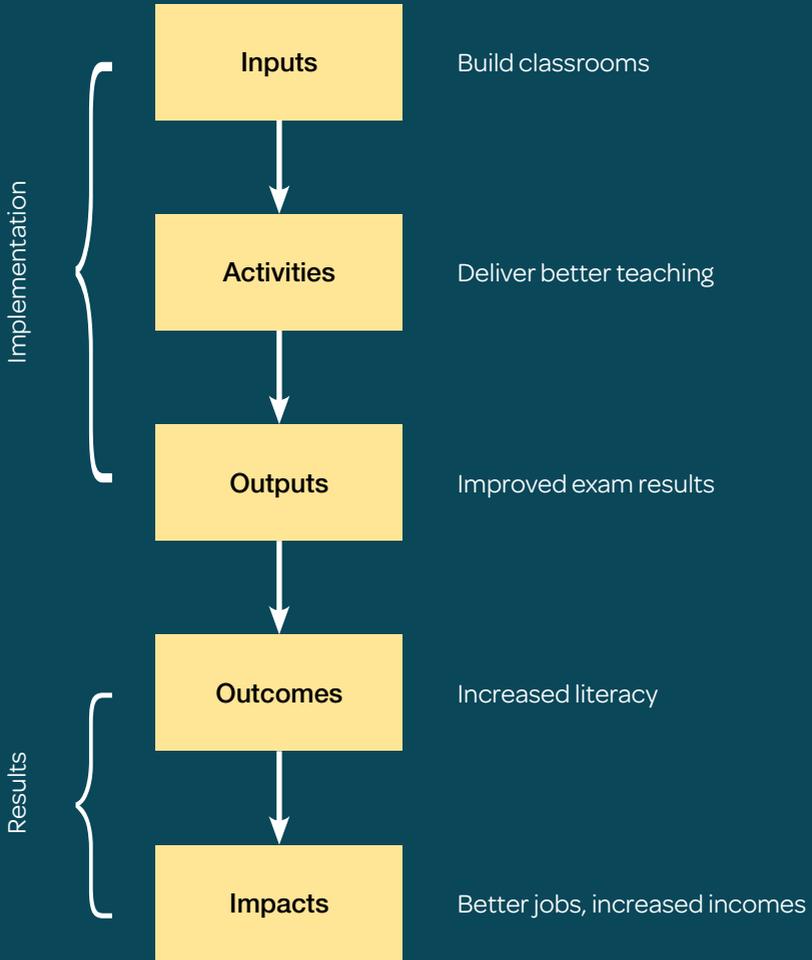
- increasing the number of pupils attending, especially in the final years
- improving the quality of teaching
- improving the facilities.

That would lead to an action plan of Inputs, which might look like this:

- build three new classrooms over the next four years
- pay for additional teachers commencing in two years
- build a dormitory for girls in the second year
- collect rain water to supply freshwater
- install solar panels and satellite aerials to provide internet access
- plant trees to provide shade.

From this plan, budgeted costs can be established together with key indicators of progress. In the short run those indicators are likely to be mainly the outputs but as times goes by they will be replaced by outcomes such as final year pupil numbers and exam results.

Theory of Change in practice...



If you are interested in learning more about Theory of Change there is a considerable amount of useful content at:
www.theoryofchange.org

10 How to donate

You can make donations directly to the charities of your choice but there are some disadvantages with this:

- It makes your administration with HMRC more complex if you are seeking a tax reclaim.
- You may not be able to maximise your tax efficiency. For example if you only expect to be paying 45% tax for a short period you'd probably want to maximise your giving at that time but might not have decided exactly which charities to select.

Routing your donations via an intermediary can help to overcome these issues but will involve some extra cost.



Charity accounts

These are segregated accounts provided by a UK registered charity. When you transfer money to them it counts as a charitable donation, setting the date for attracting Gift Aid and, if appropriate, other tax relief. You then have control over when and in what shape you make donations to charities, either by cheque or online.

Charities Aid Foundation (CAF) is the largest provider of these accounts. CAF is a charity that was set by the National Council for Voluntary Organisations in 1924. CAF charges 4% on annual donations up to £21,500, then 1% on amounts from £21,500 to £117,500.



Charitable trusts

Known in the USA as Donor Advised Funds, these are more personalised versions of Charity Accounts. Your fund has its own name and in many respects looks to the outside world just like a personal foundation. All of the administration and statutory reporting is provided by the administrator as part of their fee. If you are worried about anonymity then this is a good solution as outsiders have no visibility on how much you give, nor where you spend it.

These trusts are provided by several organisations, including CAF. CAF's base level fees are 1.2% (min £120) per annum on balances up to £100,000 then on a declining scale to 0.2%. They also offer half a day of consultancy free of charge.



Your own foundation

This is probably not worth considering unless you are thinking of attracting funding from third parties or employing staff since it will involve some initial and ongoing costs. You'll need to decide on the trustees and (depending on size) the auditors.

11

Making life easier for charities

It's in your interests for your selected charities to be as effective as possible and there are a few ways that you can have a positive impact to keep fundraising costs down.

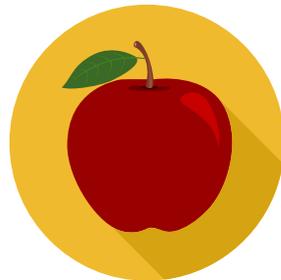
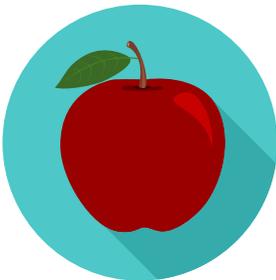
Make multi year commitments

If you make a pledge to repeat your donation for several years (subject to an annual review that things are on track) you'll be providing better visibility on future revenue to the charity. A typical arrangement will be to make an offer for three years. At the end of that period it would be reasonable to regard your moral obligation as being extinguished. However, you may well still want to support the charity if you are happy with the work being done, or you might want to support an alternative to widen your experience.

Even better than a multi-year commitment is to set up a standing order to make regular donations.

Matched giving

The concept of matched giving is that one donor commits an amount of money, conditional on others providing a similar amount. It's been used to great effect by [The Big Give](#), especially in their Christmas appeal. You may be able to benefit from this type of arrangement or, if you are planning on committing a significant sum, you might offer it on a matched basis to encourage others.



Avoid providing restricted funding

You can often specify that your donation is to be spent on a particular activity or programme run by a charity. For example, you might have a particular interest in a certain type of cancer, or line of research and choose to restrict your funding to be used in that way.

This approach seems particularly attractive in the case of natural disasters when you will probably want to be sure that money sent to an international aid charity is going to reach only those people that you really want to support. However, it has some serious drawbacks for the charities. Ring fencing your money in this way adds to administrative costs and can make it hard to fund the cost of boring but essential items such as general governance.

So in general our advice is only to place restrictions on the use of your donations when there is a specific programme offered that either appeals strongly to you, or has demonstrably good impact results. Even then, make sure that there is a generous allowance for fixed overheads.

If you have confidence in the management, why override their judgement about the best use for your money?

Don't ask for bespoke reports

They are nice to receive but they cost the organisation time and money. Often most of the information is already provided via the annual reports, or on the website.



12

Investing rather than donating

Charities used to rely entirely on

donations. Then some found that they could run businesses alongside the charity that would generate income to support the programmes. Charity shops are an example of this.

Nowadays there are thousands of independent small enterprises that are helping to solve social or environmental problems without seeking the support of donations. Many of these are run on a 'not for profit' basis but others have a shared objective: impact plus profit. They often require financial support, perhaps for expansion or during the startup phase while losses are being incurred. This capital may be able to generate a financial return in the longer term.

If you are thinking of supporting a social enterprise then you will need to consider some additional factors to those relevant for charities:

- Are the terms offered fair and reasonable?
- Are the interests of management aligned with investors?
- Is there a legal agreement to protect the rights of minority shareholders?
- What is the proposed mechanism for providing an exit?
- Are tax reliefs available?

Be aware of the risks

There are some generous tax reliefs available to support social enterprises (see Section 10) but it's important to keep the following in mind:

- Most small businesses fail
- Businesses seeking to tackle social issues may earn lower financial returns than those that don't have that commitment
- This is still a relatively new type of activity and there is no data on potential returns
- Achieving an exit from such an investment may be problematic and long term

Legal structure & reporting

Some social enterprises are Community Interest Companies, in which case they will be regulated by the Office of the Regulator of Community Interest Companies. Others will be companies and regulated by Companies House. They will be obliged to file accounts but often can take advantage of exemptions granted to small companies to allow these to contain minimal information.

As an investor you should expect there to be a shareholder agreement to protect your rights.

Microfinance

This has arguably been one of the most successful forms of social investment, linking together donors and individuals in the developing world who want to borrow small sums to develop a business. [Kiva](https://www.kiva.org) is a US based non profit organisation facilitating this activity. It has arranged more than \$1 billion of loans to almost 2 billion people with over 96% repayment rate.

Impact Bonds

These were invented in the UK as a mechanism for aligning interests on social interest programmes. The usual arrangement is for investors (usually charities) to provide funding for a programme to take place. If the results from the programme exceed pre-agreed targets then another organisation, usually government or local authority, provides payments to the investors reflecting the benefit that it has received.

The first Impact Bond was based on reducing the reoffending rates of prisoners released from Peterborough prison. Reoffending is very expensive for society so the Department of Justice was prepared to make payments to the investors if the reoffending rate was reduced. The programme was successful and the bondholders received their capital back plus a modest return.

This concept has now been used in a number of other contexts, including overseas where they are often called Development Impact Bonds. The concept is usually only viable in situations where the outcomes can be clearly measured and within a relatively short timescale. Most of the bonds are financed by large grant making charities but there can occasionally be opportunities for private individuals to participate.



13

Make full use of tax incentives

There are a host of tax incentives

provided to UK taxpayers to encourage participation in philanthropy and supporting small enterprises.

Gift Aid

All donations to registered charities attract Gift Aid as long as the donor can make a declaration that he/she will be paying the equivalent amount of Income Tax in that financial year. So if you donate £1,000 the charity can reclaim an extra £250 direct from HMRC.

If you pay more than Basic Rate Income Tax then you can claim additional relief via Self Assessment.

Worked example for an Additional Rate taxpayer

For the charity:

Donation	£10,000
+ Gift Aid	<u>£2,500</u>
	£12,500

For the donor:

Donation	£10,000
- Tax relief	<u>£3,125</u>
	£6,875

Give As You Earn (GAYE)

Payroll/workplace giving is a great way of generating regular income for charities and helping employees to improve their philanthropic understanding. It also simplifies tax reclaims for those paying more than Basic Rate Income Tax.

The UK's most popular GAYE scheme is run by CAF (Charities Aid Foundation). HMRC has a list of approved schemes on its website: <https://www.gov.uk/government/publications/payroll-giving-approved-agencies/list-of-approved-payroll-giving-agencies>

Capital Gains Tax (CGT)

If you donate qualifying investments on which there is an unrealised capital gain there will be no CGT liability either for the donor or the charity. This can result in a further significant tax incentive in cases where an investment has appreciated in value considerably. However, unquoted shares are not deemed to be qualifying investments.

Donations of shares are not eligible for Gift Aid but instead the full cost can be deducted from taxable income when submitting a tax return.

Inheritance Tax (IHT)

There are significant IHT benefits attached to making charitable bequests. First, any bequests to registered charities will be exempt from IHT. Secondly, if your total charitable bequests amount to at least 10% of your net estate then the rate of tax on the rest of the estate is lowered from 40% to 36%.

If you are going to do this it's a good idea to tell the recipient charities - that will help to ensure that you receive regular information during your life. If your gift is likely to be large in relation to their existing resources then they can begin to make some contingency plans.

Social Impact Tax Relief (SITR)

SITR is a Government approved scheme to provide tax incentives for making unsecured loans to social enterprises. The main tax benefit is a 30% tax credit on the cost of investment. This is available regardless of your actual marginal rate of tax as long as you have paid the amount of tax being reclaimed and hold the investment for at least three years. In practice the investment term is likely to be considerably longer.

Enterprise Investment Scheme (EIS)

The EIS is a Government approved scheme to provide tax incentives for making equity investments into small unquoted companies. The main tax benefit is a 30% tax credit on the cost of investment. This is available regardless of your actual marginal rate of tax as long as you have paid the amount of tax being reclaimed and held the shares for at least three years.

In addition, there is no CGT payable on any profit realised after three years. Loss Relief is available if the investment is unsuccessful.

In practice the investment term will usually be much longer than three years and the risks of a complete loss of capital are high.

Appendix – Useful Resources

Books

Doing Good Better: Effective Altruism and a Radical New Way to Make a Difference, by William Macaskill

It Ain't What You Give, It's The Way That You Give It, by Caroline Fiennes

The Most Good You Can Do: How Effective Altruism is Changing Ideas About Living Ethically, by Peter Singer

Downloads

Charity Governance Code:
www.charitygovernancecode.org/en

Driving Impact by Impetus Private Equity Foundation:
impetus-pef.org.uk/assets/publications/Report/2016-Driving-Impact-paper-FINAL-SINGLE-PAGE-SPREAD.pdf

What makes a good charity?
by New Philanthropy Capital:
www.thinknpc.org/resource-hub/what-makes-a-good-charity/

Search engines

Charities Aid Foundation
www.cafonline.org/system/charity-search-results

Giving is Great
givingisgreat.org.uk

Websites with recommended charities

www.givewell.org

www.givingwhatwecan.org

www.thelifeyoucansave.org

TED Talk

The why and how of effective altruism,
by Peter Singer
www.ted.com/talks/peter_singer_the_why_and_how_of_effective_altruism?language=en

Giving away our wealth has been the best thing we've done, by Bill & Melinda Gates
https://www.ted.com/talks/bill_and_melinda_gates_why_giving_away_our_wealth_has_been_the_most_satisfying_thing_we_ve_done

Philanthropy Advisers

The Big Give

Experts on matched giving but can also help donors search for effective charities.

Boncerto

Boutique network of advisers founded by Peter Cafferkey.

Charities Aid Foundation (CAF)

Wide range of services including charity accounts and donor advised funds.

The Funding Network (TFN)

Provide “Angels Den” sessions at which three charities present programmes that need funding.

Giving Evidence

Consultancy set up by Caroline Fiennes.

National Philanthropic Trust

Offshoot of US organisation providing donor advised funds.

New Philanthropy Capital (NPC)

Multi-faceted organisation providing advice to charities and to donors.

The Giving Department

Act for several family offices, large grant makers and corporates.

Social investment

Big Society Capital:

www.bigsocietycapital.com

Good Finance:

www.goodfinance.org.uk

Social Enterprise UK:

www.socialenterprise.org.uk

Matchmaking websites for volunteers

reachvolunteering.org.uk

UK based site that connects people with at least 3 years professional experience.

www.volunteermatch.org

Site that facilitates micro volunteering.

www.universalgiving.org

The site to use if you want to travel and volunteer overseas.

EQ investors

This guide provides general information about charitable giving. Extracts from this document may be reproduced for non-commercial purposes on condition that the source is acknowledged.

We strongly advise you to take professional advice when setting up or running a foundation, creating a charitable trust or making investments into higher risk investments such as Social Investment Tax Relief and Enterprise Investment Schemes, which are suitable only for experienced investors who are able to withstand losses or for investors only investing less than 10% of their investable assets.